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Rhode Island legislators OK hybrid retirement plan

BY [KEVIN OLSEN](#)

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The Rhode Island General Assembly late Thursday passed sweeping pension reform legislation that would create a hybrid plan for members of the \$7 billion Rhode Island Employees' Retirement System, Providence.

The legislation, if signed by Gov. Lincoln Chafee, would combine defined contribution features within the defined benefit plan. The bill would lower the retirement system's unfunded liability to \$4.3 billion from \$7.3 billion and bring the funded status of the pension system to more than 60% from 48%, according to a news release from state Treasurer Gina M. Raimondo.

Under the legislation, members of the retirement system would contribute 5% of their pay to the defined contribution plan and 3.75% to the defined benefit plan. Employers would contribute 1% to the defined contribution plan with a 1%-per-year defined benefit pension accrual rate. Prior to the hybrid plan, members contributed 8.75% to the defined benefit plans.

Mr. Chafee is expected to sign the bill within the next week; the reforms would take effect July 1.

The retirement system comprises five funds covering state employees, teachers, municipal employees, state police and judges.

In a report issued Friday, Fitch Ratings called the legislation "the most comprehensive measure undertaken by any of the states in recent years." The annual savings to the state in fiscal year 2013 from reduced contributions would be \$95 million to the state employees' system and \$63 million for the teachers' pension system, according to Fitch.

Annual government contributions to the state retirement system more than doubled between fiscal years 2005 and 2011, and those contributions are estimated to double again in fiscal year 2013 to more than \$600 million, according to the legislation.

Phone calls made to Chief Investment Officer Kenneth Goodreau and Executive Director Frank Karpinski were not returned by press time.

[See the entire Rhode Island Retirement Security Act of 2011](#)

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